STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

**Response of the California Department of Water Resources[1] to Data Requests in Rulemaking 02-01-011—
Direct Access Cost Responsibility Surcharge Phase**

March 17, 2003

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1 *In order to assist the California Public Utilities Commission and to facilitate the allocation of responsibility among various customer classes for the Department's costs, the Department is voluntarily submitting Responses to Data Requests in this proceeding. By submitting this Response, the Department does not intend to be bound by any obligations applicable to parties in this proceeding. The Department's Response is provided as an accommodation to the Commission and does not constitute a waiver of any of its legal rights, including, but not limited to, the right to object to improper discovery on the grounds of legal privilege or otherwise and object to the use of this Response in any judicial or administrative proceeding.*

1. Draft Decision regarding Navy Load

The California Department of Water Resources ("the Department" or "DWR") provides the following response to parties' requests that the Department provide a modeling scenario for a direct access cost responsibility surcharge ("CRS") in which 80MW of United States Navy load ("the Navy load") located in the service territory of San Diego Gas and Electric Company ("SDG&E") is exempt from the DWR Power Charge, as contemplated by a Draft Decision currently pending before the California Public Utilities Commission ("the CPUC").

The CRS scenarios submitted by the Department on March 3, 2003, assume that the Navy load became direct access load between February 1, 2001 and July 1, 2001. Pursuant to Decision 02-01-011, because the Navy load switched between these dates it would be responsible for the Bond Charge and the DWR Power Charge component of the CRS. Under the Draft Decision currently pending before the CPUC, however, the Navy load would be exempt from the Bond Charge and the DWR Power Charge component of the CRS.

Exempting the Navy load from these components of the CRS has a significant impact upon both the maximum undercollection balance and the time to payback for direct access load in the SDG&E service territory. In the Department's March 3, 2003 modeling results, the Navy load represents approximately one-third of the direct access load allocated the indifference charges associated with DWR power. While the change in the Navy's cost responsibility has no impact upon the total DWR Power Charges imposed on SDG&E direct access customers[2], the DWR power rate for non-exempt direct access load increases commensurate with the decrease in Navy load, or by approximately 33%.

For example, in scenario 1 the time to payback increases from 11 years to 25 years, and increases the maximum undercollection from $116 million to $237 million. The impact will vary depending upon the scenario chosen.

The Department has conferred with SDG&E regarding the amount of Navy load within SDG&E's that may be subject to the exemption. Parties seeking to model this change in load in the Department's financial model should select the 'NptTbl' tab and adjust row 610 from 7.22% to 10.92% and row 612 from 11.06% to 7.36%, for any case modeled. This adjustment shifts the Navy load from the load that switched after February 6, 2001, which is responsible for Bond Charges, DWR Power Charges and CTC charge, to the load that switched prior to February 1, 2001, which is responsible only for the CTC. Parties should re-run desired scenarios using the "Run Scenarios" button located in the 'Solns' tab. If parties wish to preserve the existing 48 Cases, they may copy a new set of cases, two at a time, using the "Add Cases" button, located on the

[2] The DWR Power Charge component of the Direct Access CRS is determined by calculating the increase in costs to bundled customers resulting from migration to direct access load between July 1, 2001 and the present. The Draft Decision regarding Navy load would not change this calculation.

'NptTbl' worksheet. This macro works correctly in the 3-14 version posted on the Department's FTP site. Please note, the Department has not made changes to any of the CRS results since the "...rev3 3-7-03" model distributed on March 7, 2003.

2. Revised CTC rates for PG&E

On March 7, 2003, Pacific Gas and Electric Company ("PG&E") distributed a revised CTC estimate for the high and low cases to the service list for Rulemaking 02-01-011. The revised CTC rates for the low CRS case (high gas prices) are approximately 20% lower than the original rates provided. For the high CRS case (low gas prices), the CTC rates are approximately 20% higher than the original rates provided. With these CTC rates, the CTC rates for the low CRS case are lower than for the high CRS case.

The change in PG&E's CTC rate increases the payoff term slightly in the High Case. For example for Scenario 17, the payoff term increases from 15 years to 16 years.

Several parties have requested guidance on modeling this revision in the financial model. The CTC rate for PG&E can be adjusted in the financial model on the 'NptTbl' tab, rows 729 through 743. The CTC revision applies only to the high and low cases, therefore parties should only adjust Cases 5-12, and 25-48. Parties then should re-run the desired scenarios using the "Run Scenarios" button located in the 'Solns' tab. If parties wish to preserve the existing 48 Cases, they may copy a new set of cases, two at a time, using the "Add Cases" button, located on the 'NptTbl' worksheet. This macro works correctly in the 3-14 version posted on the Department's FTP site. Please note, the Department has not made changes to any of the CRS results since the "...rev3 3-7-03" model distributed on March 7, 2003.